DC Main Street Partners and Places Database

Part II: Business Improvement District Assessment Tool

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*re*STORE DC supports revitalization of neighborhood business districts and small businesses in the District of Columbia through the organization, design, promotion, and economic restructuring of commercial areas.

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Business Improvement District Assessment Tool

Business Improvement Districts (BIDs) can use any number of reasonable assessment formulas. The Assessment Formulas layout allows you to play around with different formulas and rates, and calculates the estimated total revenue, average assessment, and standard deviation resulting from each formula. This tool also generates detailed reports on assessment per parcel or per owner.

Choose a zoning type

This feature allows you to consider the impact of including or excluding certain types of properties in your BID district, and also to compare average assessments and standard deviations both overall and within differently zoned populations.

Click on the check boxes for the zoning types you want to include in your analysis. For example, if you want to include everything except Residential-zoned parcels, you click on Commercial, Industrial, Mixed Res/Com, and Exempt. Then click on the "Include Zoning Types" button and FileMaker will "find" only the parcels with the zoning you indicated. Totals from the formulas will include only these parcels, and if you click to view detail you will see only the records for the zoning types you indicated.

Set boundaries on assessments

Many BIDs create minimum and maximum assessment levels in their districts, and you can do this using the "min" and "max" fields in the options section.

Setting minimums insures that each parcel contributes to the budget—even if the formula chosen might not assess the parcel any fee normally. For instance, if your district chooses to set assessments based on building square footage, a minimum assessment insures that owners of parking lots still contribute some amount to the BID.

Setting maximums insures that no parcel contributes beyond some reasonable level.

In general, you'll find that setting a low maximum to cap assessments on large properties severely limits revenue, and necessitates setting a much higher assessment for everyone else.

If you don't choose to use minimums and maximums, simply leave these fields blank, or choose "0" as your minimum, and some large number (e.g. "999999") as a maximum.

Choose a formula type—the mechanics

Every BID seems to come up with a slightly different formula based on the nature of the district and preferences of the parcel owners. We've provided a variety of different models for determining assessments. Choose which one you want to play with by clicking on the button next to that option (or play with them all at once by choosing "Compare all on same layout").

One-factor formulas

The simplest form of assessment, are formulas based on just one factor

Sq footage: Lot	Square footage of parcel lot * rate per sq. ft.
Sq footage: Building	Square footage of building * rate per sq. ft.
Sq footage: Building by floor	(Square footage of first floor * 1st floor rate per sq ft) + (Square footage of upper floors * Upper floor rate per sq ft)
Lot frontage	Lot frontage on street, in linear feet * rate per linear foot
Assessed value of property	Total assessed value of property * Percentage rate
Flat rate	1 * Flat rate per parcel

Each of these formulas will return results based on the zones you chose to include and the minimum and maximum caps you chose to set in the options section at the top of the page. For instance, if you include more zones, you'll see the number of records included increase, and the revenue raised under each of the formulas will increase.

Results include

- Total estimate of the revenue raised through the formula
- Average assessment per parcel under the formula
- Standard deviation (in $) of assessments per parcel
- Detailed results per parcel (by clicking on the "SSL" button for the formula)
- Detailed results per property owner (by clicking on the "Owner" button for the formula)
- Comparison of results across formulas (by clicking on the big button at bottom of page)

Two-factor formulas—Choose any two of the above formula types, and combine them

Select which two formulas you want to use, and then select the degree to which you want to weight each formula in the final result (for instance, 90% based on lot size, but with a 10% weight on building square feet).

Remember that you'll need to explain your assessment formula to the property owners, and that complicated formulas are harder to explain.

Any one or two factors (by zoning)—Choose any of the factors, and apply a different rate for each kind of zoning

This formula allows you to select one of the formulas, such as "Square footage: Lot" and apply a different rate to different parcels depending on their zoning. For instance, one can choose to apply a higher rate to commercial and industrial properties, and a lower rate to residential properties.

Choosing a formula type—the rationale

Choosing an assessment formula for a community is a balance of fairness, ease of administration, and ease of explanation. A fair plan charges owners in proportion to their benefit, and minimizes the opportunity for "free riders" who benefit from BID services without contributing to the budget. Ease of administration depends on availability and quality of the data, and the frequency with which the data change. And ease of explanation means a formula should be straightforward and intuitive to both property owners and business owners. Following are some of the basic pros and cons of each approach.

1. Square footage: Lot

+ All parcel owners pay in direct proportion to the amount of the district they own

+ Basis for assessment never changes, so assessment may be calculated once and then raised only when more revenue is needed

- Owners of buildings are not assessed extra (compared to owners of unimproved land), though building occupants often benefit more directly from BID services

2. Square footage: Building

+ Basis for assessment rarely changes, so assessment may be calculated once and then raised only when more revenue is needed

- Owners of parking lots and unimproved land in the district don't contribute, although they may benefit from BID services (one way to change this is by setting a minimum assessment)

3. Square footage: Building by floor

+ Addresses problem of mixed residential / commercial buildings, in which retail establishments occupy the first floor and upper floors are occupied by residential tenants.

+ Addresses likelihood that first-floor establishments (e.g., retail) will benefit more directly from BID services than occupants of upper floors (e.g., an office)

+ Basis for assessment rarely changes, so assessment may be calculated once and then raised only when more revenue is needed

- Owners of parking lots and unimproved land in the district don't contribute, although they may benefit from BID services (one way to change this is by setting a minimum assessment)

4. Lot frontage

+ Addresses likelihood that parcel will benefit from BID services in proportion to its street frontage

+ Basis for assessment never changes, so assessment may be calculated once and then only raised when more revenue is needed

- Lot frontage data can be more difficult to obtain than square footage or assessment values.

5. Assessed value of properties [examples: Baltimore; Philadelphia; Green Bay, WI; Appleton, WI]

+ Data are readily available, and annual increases in assessments create a built-in mechanism for managing inflation

- Perceived as a tax increase

- Within a district, not all parcels will have been recently re-assessed, and so assessments may vary dramatically as a percent of current market value

- Data change each year, so BID assessments must be recalculated annually (or explicitly based on historical assessments)

6. Flat rate [example: Santa Monica, CA (until 2000)]

+ Simple to explain and administer

+ Can work well in small BIDs with limited services and budgets

- BID assessments vary widely in their relationship to the underlying value of the property, and in their relationship to the property's likely benefit from BID services.

- Distributes responsibility by number of properties owned, rather than economic visibility of those properties.

- Rate must be high for everyone in order to reach target budget of any size

Combining factors

A district can make the assessment more "fair" by combining two or three of the above factors, throwing minimums and caps into the mix, or setting different rates by zoning. The price of using more complex, more "fair" formulas is that they may be more difficult to administer, or to explain to the community.

Examples of BIDs combining Lot Size, Building Size, and Lot Frontage: Berkeley, CA; Los Angeles, CA. Examples of BIDs combining Lot Size & Building Size: Denver, CO; Washington Street in Boston, MA (proposed).

About this database

Allston Village Main Streets volunteer Paula Cobb (pcobb@mba2000.hbs.edu) and Executive Director Jennifer Rose (mainstreets@allstonvillage.com) designed and built this database. Two grants from Verizon Foundation helped underwrite the staff time involved. We hope it makes your work life easier and welcome any feedback. AVMS is located at 161 Harvard Avenue, Suite 11, Allston, MA 02134. Our phone number is (617) 254-7564.